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ANNUAL REPORT 1968



SOBEYS STORES LIMITED



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## **22nd ANNUAL REPORT, SOBEYS STORES LIMITED**

Year Ending May 4, 1968

HEAD OFFICE: STELLARTON, NOVA SCOTIA

Incorporated 1946

## DIRECTORS AND OFFICERS

### DIRECTORS

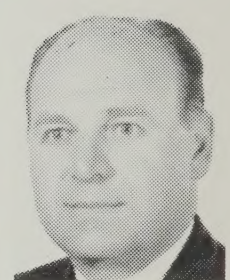
MERRITT G. CRAWFORD  
 HENRY B. RHUDE  
 LESLIE SHARP  
 DAVID F. SOBEY  
 DONALD R. SOBEY  
 FRANK H. SOBEY  
 HAROLD M. SOBEY  
 WILLIAM M. SOBEY  
 CHAS. E. STANFIELD



William M. Sobey  
*Director  
 President*



Frank H. Sobey  
*Director  
 Chairman  
 of the-Board*



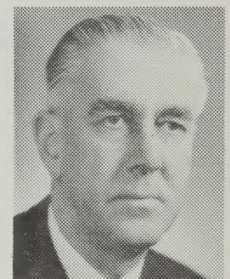
Leslie Sharp  
*Director  
 Vice President &  
 General Manager*



Henry B. Rhude  
*Director*



David F. Sobey  
*Director  
 Vice President  
 Merchandising*



Chas. E. Stanfield  
*Director*

### OFFICERS

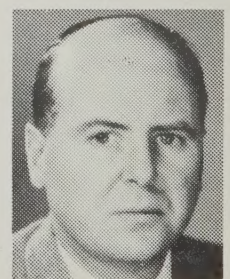
FRANK H. SOBEY  
*Chairman of the Board*  
 WILLIAM M. SOBEY  
*President*  
 LESLIE SHARP  
*Vice President & General Manager*  
 DAVID F. SOBEY  
*Vice President— Merchandising*  
 HAROLD M. SOBEY  
*Vice President*  
 MERRITT G. CRAWFORD  
*Secretary— Treasurer*



Donald R. Sobey  
*Director*



Merritt G. Crawford  
*Director  
 Secretary Treasurer*



Harold M. Sobey  
*Director  
 Vice President*





## **OPERATIONS PERSONNEL**

TED BOEHK  
*District Manager*

WILLIAM VINES  
*Supervisor, N.B.*

ROBERT CLANCY  
*Supervisor, N.S.*

TOM FORMAN  
*District Manager*

GORDON REYNOLDS  
*Supervisor, C.B. & Nfld.*

TERRY JARDINE  
*Supervisor, N.B.*

DARRELL RUSHTON  
*Supervisor, N.S.*

RALPH HAMM  
*Meat Supervisor, N.B.*

CECIL MACLAREN  
*Meat Supervisor, N.S.*

CHAS. HIGGINS  
*District Manager*

DOUGLAS EDDY  
*Personnel Manager*

DRUMMOND FRASER  
*Real Estate Manager*

WILLIAM EISENHAUER  
*Head Buyer*

## **AUDITORS**

H. R. DOANE AND COMPANY  
NEW GLASGOW, N.S.

## **TRANSFER AGENT AND REGISTRAR**

MONTREAL TRUST CO. MONTREAL  
TORONTO — SAINT JOHN — HALIFAX

## **BANKERS**

THE BANK OF NOVA SCOTIA

## **DIRECTORS' REPORT** *to the Shareholders*

### *Sales and Earnings:*

Your Company has achieved for its 22nd consecutive year a new high in sales and earnings — sales reflect an increase of 11% over the comparable period last year. Net income of \$807,764 shows an increase of 7.3% over the previous period; however, this net figure, it should be noted, includes capital gains on fixed assets and investments of \$106,183 — which is a decrease from last year's capital gain of \$200,411. Earnings from operations, therefore, show an increase of 27% against the corresponding period last year.

### *Dividends:*

Quarterly dividends of 8¢ on the Common A and B shares of the Company as well as dividends on the 1966 preference shares at 6¼% were paid in the last fiscal year.

### *Financing:*

Cash flow for the period herein reported shows an increase of \$437,160 to \$2,016,951; and the temporary working capital decrease reported last year has been rectified with an increase of \$1,183,719. Working capital at May 4 was \$1,641,712.

As a result of the designated area benefits, the Company has been able to claim sufficient capital cost allowances to minimize the current cash expenditure for income tax.

### *Employees:*

The Company instigated during the year an operational incentive plan for key store employees — this plan appears to be working well, and payments have been made under this scheme in the fourth quarter of the year now being reported. Other employee benefits, medical, long term disability insurance, pension and profit-sharing plan have been expanded. The Company's contribution to the pension and profit-sharing plan for the fiscal year was \$64,998.

### *Expansion and Development:*

The completion of Avalon Mall in St. John's, Newfoundland, was, of course, the Company's largest development project; however, during the year, new stores were opened in Royalty Mall, Charlottetown, and Loch Lomond Shopping Centre in St. John, N.B. The Gottingen Street store in Halifax was increased in size and remodelled.

Presently under construction are stores at Clayton Park, Halifax; Campbellton, N.B.; Moncton, N.B.; and Chandler, Quebec. Two





other existing units in the Halifax-Dartmouth area are being remodelled and doubled in size.

Additional food markets are under active planning, and the Company will be opening new units in Company-sponsored developments and as tenants.

The Company will continually be looking towards the development of larger units and those particularly which have the support of shopping centers as our main strength for future development and return on investment.

*Outlook:*

The outlook for the Company remains favorable; however, with population growth below the national average in much of the Atlantic Provinces, expansion possibilities are restricted. Despite this, the Company is expecting a continuation of acceptable financial results.

*In Memoriam:*

The Company suffered the loss of one of its directors, Mr. F. Carleton Fisher, whose death occurred on November 11, 1967. Mr. Fisher was connected with the Company for many years, and his counsel and assistance particularly on financial matters will be greatly missed by all.

We express our gratitude and thanks to the many customers, suppliers, and employees of the Company who have assisted so dramatically in the Company's growth.

FRANK H. SOBEY  
*Chairman of the Board*

WILLIAM M. SOBEY  
*President*

SOBEYS STORES LIMITED

SOBEYS STORES LIMITED *and wholly owned subsidiary company*

**CONSOLIDATED BALANCE SHEET**

*as of May 4, 1968 with comparative figures at May 6, 1967*

ASSETS	1968	1967
<b>Current</b>		
Cash	\$ 1,255,882	\$ 920,264
Marketable securities, at cost (market value 1968 \$1,213,734 ; 1967 \$1,174,151)	1,189,583	1,010,785
Receivables — (Note 1)	1,927,462	1,380,947
Inventories, at cost	2,581,845	2,040,760
Income tax refund receivable	683	225,340
Special refundable tax receivable	60,286	60,247
Prepaid expenses	53,016	38,765
	<u>7,068,757</u>	<u>5,677,108</u>
<b>Mortgages, loans and notes receivable</b>	<u>119,190</u>	<u>96,975</u>
<b>Funds held by trustee for redemption of debentures</b>	<u>41,000</u>	<u>21,500</u>
<b>Fixed, at cost</b>		
Buildings and parking facilities	8,919,619	8,655,934
Furniture and equipment	5,003,895	4,451,170
Motor vehicles	183,419	136,170
Leasehold improvements	431,543	345,289
	<u>14,538,476</u>	<u>13,588,563</u>
Less: Accumulated depreciation	<u>3,257,522</u>	<u>2,800,499</u>
	<u>11,280,954</u>	<u>10,788,064</u>
Land	1,405,616	1,323,698
	<u>12,686,570</u>	<u>12,111,762</u>
	<u>\$19,915,517</u>	<u>\$17,907,345</u>

The accompanying notes form part of this statement.

**AUDITORS' REPORT** *To the Shareholders of Sobeys Stores Limited*

We have examined the consolidated balance sheet of Sobeys Stores Limited and its wholly owned subsidiary company as at May 4, 1968 and the consolidated statements of income, retained earnings and general reserve for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of income, retained earnings and general reserve are properly drawn up so as to exhibit a true and correct view of the financial position of the companies as at May 4, 1968 and the results of operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New Glasgow, Nova Scotia  
June 20, 1968

H. R. Doane and Company  
Chartered Accountants





SOBEYS STORES LIMITED *and wholly owned subsidiary company*

**CONSOLIDATED STATEMENT OF INCOME**

*for the year ended May 4, 1968*

*with comparative figures for the year ended May 6, 1967*

	1968	1967
Income for the year before taking into account the undermentioned items	<u>\$ 2,717,566</u>	<u>\$ 2,123,230</u>
Expenses		
Administrative and office salaries	404,229	344,908
Auditing and management services	11,901	10,976
Depreciation	577,885	528,809
Directors' fees	1,350	2,000
Debenture and mortgage interest	312,920	263,076
Interest on current debt	126,099	32,984
Legal fees	6,280	8,227
Contribution to employee pension and profit sharing plan	64,998	53,336
Employee incentive plan	15,000	
	<u>1,520,662</u>	<u>1,244,316</u>
Other income	1,196,904	878,914
Interest and dividends	143,392	165,335
Net income before income taxes	<u>1,340,296</u>	<u>1,044,249</u>
Income taxes (Deferred 631,302)	638,715	491,708
Net income from operations	<u>701,581</u>	<u>552,541</u>
Profit on sale of fixed assets and investments	106,183	700,411
Less: Transfer to general reserve		<u>500,000</u>
	<u>106,183</u>	<u>200,411</u>
Net income	<u>\$ 807,764</u>	<u>\$ 752,952</u>





## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended May 4, 1968

with comparative figures for the year ended May 6, 1967

	1968	1967
Balance, beginning of year	\$ 3,468,546	\$ 3,059,987
Add: Net profit for the year	807,764	752,952
Transfer from general reserve	400,000	
	<u>4,676,310</u>	<u>3,812,939</u>
Deduct: Dividends paid — Class "A" common	165,195	162,181
— Class "B" common	67,840	66,780
— 6¼% preferred	93,750	46,875
Excise tax adjustments relating to prior years	12,140	
Financial expenses relating to debentures and preferred shares issued	4,818	8,557
Discount on issue of Series "I" debentures written off	8,460	
Commission on issue of preferred shares		60,000
	<u>352,203</u>	<u>344,393</u>
Balance, end of year	<u>\$ 4,324,107</u>	<u>\$ 3,468,546</u>

## CONSOLIDATED STATEMENT OF GENERAL RESERVE

for the year ended May 4, 1968

with comparative figures for the year ended May 6, 1967

	1968	1967
Balance, beginning of year	\$ 400,000	
Add: Amount transferred from reserve for future investment transactions		\$ 100,000
Appropriation of portion of profit on sale of fixed assets and investments		500,000
	<u>400,000</u>	<u>600,000</u>
Deduct: Goodwill acquired and written off		200,000
Transferred to retained earnings	400,000	
Balance, end of year	<u>\$ —</u>	<u>\$ 400,000</u>

## CONSOLIDATED STATEMENT OF LONG TERM LIABILITIES

for the year ended May 4, 1968

with comparative figures for the year ended May 6, 1967

	1968	1967
5½% Sinking Fund Debentures, Series "A" Maturing September 1, 1968 (Authorized and issued — \$300,000) Issued — less redeemed	\$ 92,000	\$ 108,500
5% Sinking Fund Debentures, Series "B" Maturing March 1, 1972 (Authorized and issued — \$500,000) Issued — less redeemed	251,000	277,500
4¾% Sinking Fund Debentures, Series "C" Maturing September 1, 1975 (Authorized and issued — \$500,000) Issued — less redeemed	320,000	335,000
6% Sinking Fund Debentures, Series "D" Maturing May 1, 1977 (Authorized and issued — \$750,000) Issued — less redeemed	502,500	547,500
6% Sinking Fund Debentures, Series "E" Maturing March 1, 1981 (Authorized and issued — (\$1,000,000) Issued — less redeemed	790,500	820,500
6% Sinking Fund Debentures, Series "F" Maturing April 1, 1984 (Authorized and issued — \$1,000,000) Issued — less redeemed	880,000	910,000
5¾% Sinking Fund Debentures, Series "G" Maturing April 15, 1985 (Authorized and issued — \$500,000) Issued — less redeemed	455,000	485,000
6% Sinking Fund Debentures, Series "H" Maturing November 1, 1985 (Authorized and issued — \$1,000,000) Issued — less redeemed	940,000	970,000
7¼% Sinking Fund Debentures Series "I" Maturing June 15, 1987 (Authorized — \$1,000,000) Issued	1,000,000	
6% Mortgage, due December 15, 1985	119,180	125,801
	5,350,180	4,579,801
Less : Debentures on hand for Sinking Fund purposes	58,000	60,000
	5,292,180	4,519,801
Less : Payable within one year	236,121	135,121
Long term liabilities	\$ 5,056,059	\$ 4,384,680





## NOTES to consolidated financial statements

### 1. Receivables

	1968	1967
Trade	\$ 283,170	\$ 234,217
Rent	29,122	7,573
Loans	1,581,377	1,136,045
Current portion of mortgages and notes receivable	33,793	3,112
	<u>\$1,927,462</u>	<u>\$1,380,947</u>

### 2. Payables and accruals

	1968	1967
Trade	\$3,097,660	\$3,652,132
Interest accrued on debentures	46,205	23,973
Long term debt payable within one year	236,121	128,500
	<u>\$3,379,986</u>	<u>\$3,804,605</u>

3. Under the provisions of leases with Sobey Leased Properties Limited, Empire Company Limited, Foord Construction Limited and other lessors, the Company has leased lands, buildings and improvements for terms extending beyond five years from the Balance Sheet date.

4. At Balance Sheet date there were outstanding guarantees for bank loans of Sobey Leased Properties Limited and Foord Construction Limited of \$250,000 and \$1,250,000 respectively. These loans were obtained for the purpose of acquiring properties for and on behalf of Sobeys Stores Limited.

5. In consideration of the exclusive right to lease the supermarket premises in all shopping centres developed by Canadian Shopping Centres Limited the Company has undertaken by agreement dated April 1, 1960, to provide cash to meet any obligations which Canadian Shopping Centres Limited is unable or fails to meet until all Series "A" Debentures (of which \$400,000 principal amount is presently outstanding) of Canadian Shopping Centres Limited have been paid in full in accordance with their terms. Any deficiency payment made by Sobeys Stores Limited will be in consideration of the issue to it of an appropriate number of \$10 fully paid and non-assessable 6% non-cumulative redeemable non-voting preference shares of Canadian Shopping Centres Limited.

6. The Company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to Share Purchase Warrants attaching to the Sinking Fund Debentures, Series "H", maturing November 1, 1985.

7. The Company advances cash from time to time on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited. It also advances funds without interest to other Companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the Company.

8. As a result of claiming capital cost allowance of \$1,262,604 more than recorded depreciation the provision for income taxes is \$631,302 in excess of income taxes payable for the current year.

9. During the year the Company issued 6,000 Class "A" common shares for the total consideration of \$42,000 to be paid to the Company in five equal annual installments commencing March 1, 1969.

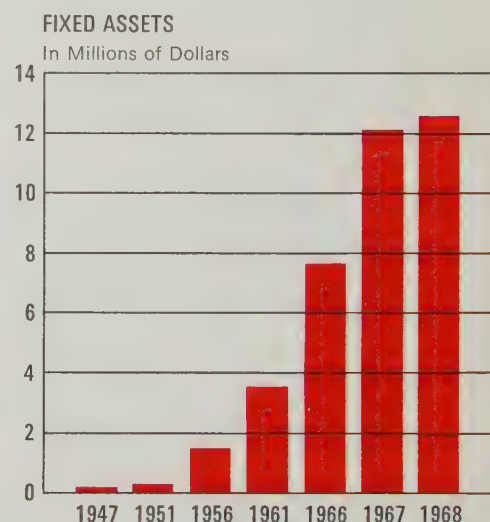
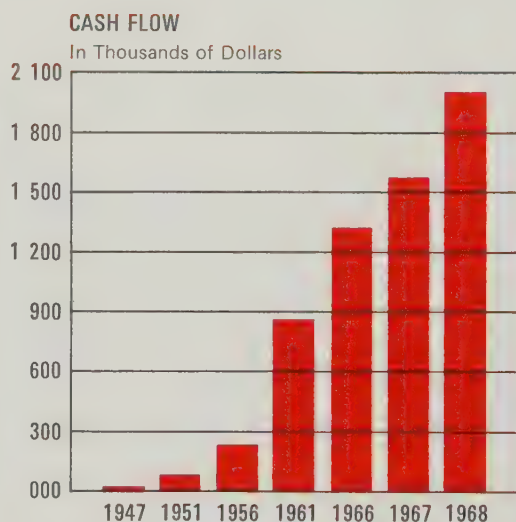
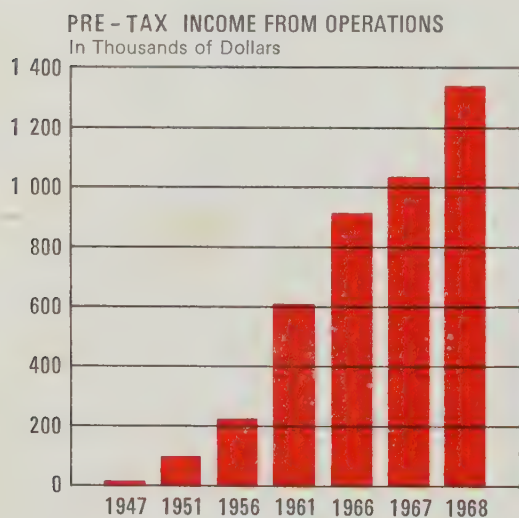
10. The 1966 series preference shares may be called at reducing premiums until October 1, 1971, after which they may be called at par.

11. Gross sales of the Company increased 11% over the previous year's sales and 30% over the previous five years' average sales.

# SOBEYS STORES LIMITED

## REVIEW OF FINANCIAL GROWTH SINCE INCORPORATION

Operations	1968	1967	1966	1961	1956	1951	1947
Income from operations-	\$ 1,340,296	\$ 1,044,249	\$ 930,809	\$ 602,353	\$ 236,012	\$102,394	\$ 22,538
Depreciation	577,885	528,809	527,106	211,095	99,472	37,846	10,186
Interest on long term debt	312,920	263,076	248,133	101,181	60,963	7,808	3,134
Cash flow	2,016,951	1,579,791	1,336,179	882,119	250,178	96,617	29,455
Income tax	638,715	491,708	431,455	279,591	108,504	43,959	8,988
Gain on sale of fixed assets and investments	106,183	200,411	214,961	6,652	6,639	335	397
Net income after provision for income tax	807,764	752,952	664,315	329,415	134,146	58,771	18,668
Number of stores	52	50	49	32	17	11	15
<b>Shareholders information</b>							
Cash flow per share	2.73	2.20	1.90	1.29	.50	.19	.06
Equity per share	8.35	7.81	6.76	4.01	1.49	.51	.19
Preferred share dividend	.0625	.0625	—	—	.05	.05	—
Common share earnings	.98	.98	.97	.48	.26	.12	.04
Common share dividends	.32	.32	.23	.20	—	—	—
Average number of common shares outstanding	729,860	716,860	346,715	340,000	10,000	10,000	10,000
<b>Balance sheet</b>							
Working capital	1,641,712	457,993	1,747,417	1,159,523	339,599	151,011	122,886
Fixed assets	12,686,570	12,111,762	7,870,999	3,621,904	1,575,620	254,399	109,912
Long term debt	5,056,059	4,384,680	4,416,000	2,507,008	1,227,875	158,881	150,000
Net tangible assets per \$1,000 debenture	2,908	2,944	2,179	2,154	1,591	3,211	1,596









SOBEYS STORES LIMITED

#### LOCATIONS

### *Serving the Atlantic Provinces*

#### **Nova Scotia**

Stellarton  
New Glasgow  
Westville  
Trenton  
Pictou  
Truro  
Halifax  
Westphal  
Woodside  
Dartmouth  
North Sydney  
Sydney  
Sydney Mines  
Antigonish  
Yarmouth  
Amherst  
Windsor  
Kingston  
Port Hawkesbury  
Kentville  
Glace Bay

#### **New Brunswick**

Moncton  
Fredericton  
Saint John  
Campbellton  
Lancaster  
Newcastle  
Chatham  
Edmundston  
Dalhousie  
Rothesay  
Millidgeville  
Nashwaaksis  
East Saint John

#### **Prince Edward Island**

Summerside  
Charlottetown

#### **Newfoundland**

Grand Falls  
St. John's

#### **Quebec**

Paspebiac  
New Richmond



*File*



SOBEYS STORES LIMITED

# INTERIM REPORT



SIX MONTHS ENDING NOVEMBER 2, 1968

SOBEY'S STORES LIMITED

INTERIM REPORT

Six months ending November 2, 1968

TO THE SHAREHOLDERS

Your Company has experienced excellent results for the six month period ending November 2, 1968, — sales were up by 11 per cent over the corresponding period last year; and earnings after tax for the six months at \$341,000 represent an increase of 24 per cent.

Earnings per common share, excluding any capital gains but after providing for preferred dividends, were 46c per share against 38c for the like period.

Expansion of the Company's stores is continuing on a regular basis; and remodelling and enlarging of existing stores, which has been mentioned in previous reports to shareholders, is continuing as planned. New stores were opened in Chandler and Gaspé, Quebec in the period being reported, and a number of other new units are under construction in the Atlantic Provinces.

Avalon Mall in St. John's, Newfoundland, is entirely rented; and Highfield Square, the Company's newest real estate development, which is a downtown shopping mall of approximately 300,000 square feet, will be ready for opening in the early spring of 1969.

Regular quarterly dividends of 9c per share on the Common A and B stocks of the Company were paid in July and October.

The Company's working capital shows a reduction of \$869,161. This is due to a heavy increase in current capital expenditures.

Operating costs and expenses are being kept under control despite pressures; and the incentive plan for supervisors and managers seems to be working quite satisfactorily.

The Company is in a healthy position; and bearing the unexpected, sales and earnings should continue satisfactorily for the balance of the year.

WILLIAM M. SOBEY  
President

Stellarton, N.S.  
November 29, 1968.



SOBEY'S STORES LIMITED  
CONSOLIDATED STATEMENT OF EARNINGS  
SIX MONTHS ENDED NOVEMBER 2, 1968  
(with comparative figures)

	1968 (6 mos.)	1967 (6 mos.)
Net operating income	\$ 744,100	\$ 606,947
Provision for income taxes (Deferred \$351,791)	355,466	285,802
Net income	388,634	321,145
Preferred share dividend	46,875	46,875
Net income after providing for preferred share dividend	\$ 341,759	\$ 274,270
Earnings per common share	\$ .46	\$ .38

Note: Gains on sale of fixed assets and investments have not been included in the above results.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
(with comparative figures)

	1968 (6 mos.)	1967 (6 mos.)
<b>SOURCE</b>		
Net income	\$ 388,634	\$ 321,145
Add:		
Depreciation	380,640	350,190
Provision for future income tax	351,791	285,802
	1,121,065	957,137
Gain on sale of fixed assets and investments	3,511	71,083
Proceeds from sale of debentures		992,658
	1,124,576	2,020,878
<b>APPLICATION</b>		
Increase in fixed assets	1,606,535	484,461
Increase in mortgages receivable	83,430	54,100
Redemption and transfer of current portion of company debentures	103,000	104,000
Dividends paid	178,790	163,173
Income tax re-assessment (subsidiary)	21,982	
	1,993,737	805,734
Increase (decrease) in working capital	(\$ 869,161)	\$1,215,144

NOTE: The above figures are subject to audit and year end adjustment.

## DIRECTORS

MERRIT G. CRAWFORD  
ARTHUR R. LUNDRIGAN  
JAS. A. MacMURRAY  
HENRY B. RHUDE  
LESLIE SHARP  
DAVID F. SOBEY  
DONALD R. SOBEY  
FRANK H. SOBEY  
HAROLD M. SOBEY  
WILLIAM M. SOBEY  
CHAS. E. STANFIELD

## OFFICERS

FRANK H. SOBEY  
*Chairman of the Board*  
WILLIAM M. SOBEY  
*President*  
LESLIE SHARP  
*Vice President & General Manager*  
DAVID F. SOBEY  
*Vice President—Merchandising*  
HAROLD M. SOBEY  
*Vice President*  
MERRITT G. CRAWFORD  
*Secretary—Treasurer*



ADDITIONAL INFORMATION  
FOR THE SHAREHOLDER

At the time this Interim Report was being prepared, discussions were taking place with Local 1065 of the Retail Wholesale Department Store Union regarding a contract to cover six of our stores in Saint John, New Brunswick. Negotiations broke down with the result that a number of employees went out on strike December 17th and the Company closed three of the six stores.

A Collective Agreement has now been completed and employees returned to work on March 4. One of the stores closed in December will be reopened shortly; however, the other two which were not considered profitable will remain closed for the present.

The strike situation in Saint John, New Brunswick, seriously affected the company's results in the third quarter; however, every effort is being made to regain this loss.

WILLIAM M. SOBEY  
President



